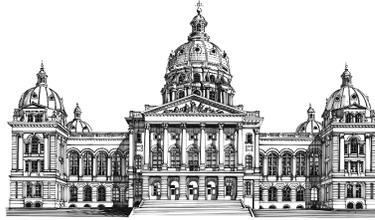

Iowa Legislative Services Agency Fiscal Services

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State Capitol
Des Moines, IA 50319
January 17, 2007

State Fleet

ISSUE

This **Issue Review** provides an updated analysis of the State Vehicle Fleet, including under-utilization of vehicles, assignment policies of the Department of Administrative Services (DAS) Fleet and Mail Division, and potential efficiencies.

AFFECTED AGENCIES

State departments

CODE AUTHORITY

Sections 8A.361 – 8A.367, Code of Iowa
Section 70A.28, Code of Iowa
401, Iowa Administrative Code, 11.4(18)

BACKGROUND

The General Assembly vested authority in the Governor to assign all State-owned vehicles on July 1, 1939, and a State Car Dispatcher was appointed to control State-owned vehicles. In 1941, the General Assembly added maintenance of the State vehicle fleet to the duties of the Car Dispatcher. In 1972, the Department of General Services (DGS) was created by the General Assembly, and the Vehicle Dispatcher Division was included in the new Department. The Director of the DGS appointed the Dispatcher.

During the 1998 Legislative Session, the title of State Car Dispatcher was changed to State Fleet Administrator, and the title of Vehicle Dispatcher Division was changed to the Fleet and Mail Division.

In 2003, the Department of Administrative Services (DAS) was created to replace the DGS and all fleet activities were moved under the Department's authority.

The Fleet and Mail Division has the authority to assign all State vehicles, except for vehicles administered by the Department of Transportation (DOT), the Board of Regents, and the Department for the Blind.

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CURRENT SITUATION

The average number of active vehicles in the State fleet has increased 4.5% over the past four years. The average number of vehicles was 2,616 in FY 2002 and 2,735 in FY 2006. The number of vehicles controlled by the Fleet and Mail Division fluctuates as vehicles are sold at auction, sent in for repairs, and exchanged with other departments on a continual basis. At the end of FY 2006, there was an inventory of 2,735 vehicles in the Division's fleet, of which 67.3% were outside Polk County. Of these, 485 were turned in for auction, unassigned, or turned in for repair or salvage. In FY 2006, a total of 53.5 million miles were driven using State vehicles.

Attachment A provides an overview of the number of vehicles assigned to each agency, the average estimated usage miles for each vehicle for FY 2006, the number of vehicles projected to attain less than 5,000 miles, and the percentage of underutilized vehicles assigned. **Attachment B** provides the Fleet and Mail Division's total operation costs for the past four years. The Department for the Blind is exempt from the State fleet, but voluntarily provides fleet information to the State Fleet Administrator each month, which is also included in **Attachments A** and **B**.

Total maintenance costs, including fuel, maintenance, and accident costs were \$10.7 million in FY 2006. Total non-maintenance costs, including depreciation, insurance, and overhead were \$7.3 million in FY 2006 (see **Attachment B** for details).

Underutilized Vehicles

Vehicles are considered underutilized when they accumulate less than 10,000 miles per year. A large proportion of vehicles are assigned to departments and used as maintenance or service vehicles at various institutions, such as the Department of Human Services (DHS) or Department of Corrections (DOC). The vehicles are primarily trucks used for buildings and grounds maintenance, the delivery of laundry, or are one of several vehicles that do not accumulate more than 10,000 miles annually since they remain on campus and are used to transport clients.

The State Auditor's Office conducted an analysis of underutilized vehicles at the end of FY 1992. No action was taken since the use was deemed essential to the operation of the departments.

Vehicles Assignments

The Fleet and Mail Division has determined the lowest cost per mile for all vehicles classified as one ton and under is achieved when these vehicles are sold at 98,000 miles and are six-years-old or less. Maintenance and special purpose vehicles not meeting this criterion are replaced with pre-owned vehicles on a two or three-year replacement cycle.

The Division analyzed the operational costs of the State's passenger fleet for FY 2002. The Division determined the break-even miles, based on an employee reimbursement rate of \$0.29 per mile, required to justify vehicle acquisition and retention, as depicted in the following table.

<u>Sedan</u>	<u>Miles</u>	<u>Wagon</u>	<u>Miles</u>
<u>Classification</u>	<u>Per Year</u>	<u>Classification</u>	<u>Per Year</u>
Compact	15,500	Compact	16,500
Mid-Size	17,500	Mid-Size	25,500
Full Size	21,500	Full Size	25,500

The State Fleet Administrator issued a new policy in 1997, requiring that if agencies turn vehicles over to the Administrator that are older than 10 years or have more than 98,000 miles, they will

automatically be assigned a used vehicle instead of a new one for replacement. Identified underutilized vehicles scheduled for replacement may be eliminated from the Fleet.

Billing for Assigned and Motor Pool Vehicles

Billings for vehicle assignments and use of vehicles from the Motor Pool are done on a monthly basis and include the actual cost for operation and administrative costs. Rates are determined according to the size of vehicle used, and depreciation is also billed monthly to cover vehicle replacement expenditures. The monies are placed in the Vehicle Depreciation Fund until it is time to purchase new or used vehicles.

Mileage Reimbursement

The reimbursement rate for the use of personal vehicles for State business travel is \$0.34 per business mile. The rate is used regardless of availability of vehicles from the State Fleet.

According to Section 8A.363, Code of Iowa, reimbursement rates are determined by the Director of the DAS and cannot exceed the maximum reimbursement allowable under the federal Internal Revenue Service rules per mile, which is currently \$0.48.

Many times it is not possible for an employee to use a personal vehicle since specific equipment is needed, such as radios and cages to transport inmates, wheel chair lifts, and the capability to transport tools and other equipment.

Private Use of State Vehicles

Private use of State vehicles is prohibited in Section 8A.363, Code of Iowa. The procedure followed by the State Fleet Administrator when a complaint is received regarding misuse of State vehicles is to contact the department director and request an investigation of the incident and a response. According to the Division, there are five to six complaints received per year.

The Division does not usually receive complaints regarding vehicles from the DOC, the Department of Natural Resources (DNR), the Department of Agriculture and Land Stewardship, or Iowa Public Television (IPTV) as those departments have their own vehicle insignias so complaints are received directly by these departments.

Motor Pool

As of February 2006, 198 vehicles were assigned to the Motor Pool, which are available to departments to conduct State business. The Motor Pool attempts to issue the most efficient and practical vehicle for the number of passengers, cargo, and the type of assignment. According to Section 8A.362, Code of Iowa, the Division is required to have a uniform standard for assigning vehicles to maximize the average passenger miles per gallon of motor vehicle fuel consumed. The guidelines are defined in 11, Iowa Administrative Code, 1.4(8A).

Motor vehicle rental rates are classified into daily or monthly assignments. Daily rates range from \$26 for compact sedans to \$36 for a sport utility vehicle, while monthly rates range from \$555 to \$743.

The number of vehicles in the Motor Pool is set to handle normal daily vehicle demand. Vehicles in the fleet are categorized as a market place good. State agencies have the option of using the State fleet or private firms.

COST ANALYSIS FOR OUTSOURCING FLEET MANAGEMENT

The following is a comparison of rates from the DAS compared to rates from Enterprise Rent-A-Car.

Vehicle Type	Daily		Weekly		Monthly	
	DAS	Enterprise	DAS	Enterprise	DAS	Enterprise
Compact	\$26	\$32	\$131	\$160	\$555	\$762
Mid-Size	27	34	135	170	570	810
Mini-vans	31	55	155	275	649	1,308
Pickups	35	49	174	245	728	1,166
SUV	36	55	178	275	743	1,308

The rates above are standard rates. If the State could enter into a contract that would guarantee a private company a certain amount of business, the State may be able to obtain better rates. The rates would be difficult to determine until the details of any contract were worked out.

ALTERNATIVES

The following are alternatives to be considered for the State Vehicle Fleet.

- The sale of the 198 vehicle motor pool under the DAS would produce an estimated \$1.3 million in one-time revenue in FY 2008 based on gross proceeds from the sale by auction of designated State-owned vehicles.
- Coordinate usage of vehicles between institutions in the same locality, such as Corrections and DHS facilities at Mt. Pleasant. These institutions currently coordinate vehicle usage and share vehicles with the DOT facility in Mt. Pleasant, if needed. Presently, no other agencies are coordinating vehicles.
- Add more E-85 fuel locations. Obtaining E-85 fuel at the State facilities has two cost-savings benefits: (1) Fuel and oil are less expensive since they are purchased under State contract and (2) It is not necessary for the Fleet and Mail Division to request refunds for State and federal fuel taxes.
- Negotiate a contract with private vendors to provide overflow vehicles. Now that DAS is an enterprise they are technically in competition with the private sector, but if they can work out a contract with private vendors to handle demand overflow they may be able to save money for State agencies.

BUDGET IMPACT

The sale of all 2,735 fleet vehicles could provide an estimated \$17.6 million in one-time revenue and eliminate approximately \$18.0 million in annual maintenance and other expenses, if sold in its entirety to a private leasing firm. Other methods of disposing of the fleet would reduce the amount received and the value of the fleet would slowly decrease since the fleet continues to incur additional mileage and the vehicles are not being replaced due to the transfer of funds from the Vehicle Depreciation Fund.

By selling the State fleet, two options remain for providing transportation for State business, including outsourcing to a private sector firm, or reimbursing employees for using personal vehicles. Given the cost estimates provided by Enterprise, the costs associated with driving State vehicles are lower for most lengths of travel. If significant length of travel occurs, however, a private firm is more cost-effective as these rates are a flat fee per day, week, and month.

It would cost approximately \$950,000 per year to lease 100 vehicles for 264 days per year each, at \$36.00 per day. It would cost approximately \$26.3 million per year to lease 2,735 vehicles each month for a year, at \$800 per month. It could cost less if the number of vehicles required was reduced or a better rate was obtained from a private leasing company.

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State Fleet

<http://www.legis.state.ia.us/lsadocs/IssReview/2007/IRJRB001.PDF>

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State of Iowa Vehicle Fleet
 Administered by the Fleet and Mail Division, Department of Administrative Services
 As of June 30, 2006

ATTACHMENT A

Department	Division	End Miles for all Vehicles	Total # Miles FY06	Vehicles Assigned by FMD*	Turned in for auction or reassignment	Net assigned vehicles	Average ending odometer per vehicle	Average Miles per vehicle for FY 06	Vehicles with less than 5,000 miles	Percentage of under-utilized vehicles
Administrative Services	Design & Construction	38,536	15,604	1	0	1	38,536	15,604	0	0.0%
	Capitol Complex Maintenance	1,065,490	109,615	27	9	18	50,738	5,220	3	16.7%
	Motor Pool	13,226,870	3,669,809	239	32	207	59,313	16,530	9	4.3%
	HRE**	99,267	20,616	1	0	1	99,267	20,616	0	0.0%
Agriculture		7,665,290	2,842,555	151	23	128	53,981	20,018	4	2.3%
Attorney General		519,306	152,259	9	1	8	57,701	16,917	0	0.0%
Dept. for the Blind		607,721	187,542	12	0	12	50,643	15,629	0	0.0%
Commerce	Alcoholic Beverages	5,050,893	701,970	38	1	37	136,510	18,972	0	0.0%
Insurance		143,549	22,274	3	0	3	47,850	7,425	0	0.0%
Utilities	Utilities	329,282	122,701	9	3	6	41,160	15,338	1	16.7%
Banking		172,169	110,614	11	0	11	15,652	10,056	5	45.5%
Corrections	Central Office	329,282	122,701	15	0	15	41,160	15,336	1	6.7%
	Ft. Madison	2,450,342	420,806	30	1	29	81,678	14,027	0	0.0%
	Anamosa	2,073,919	203,835	23	1	22	90,170	8,862	0	0.0%
	Oakdale	1,207,175	232,907	14	0	14	86,227	16,636	1	7.1%
	Newton	2,274,030	480,900	27	0	27	84,223	17,811	1	3.7%
	Mt. Pleasant	2,378,382	183,080	27	0	27	88,088	6,781	2	7.4%
	Rockwell City	2,605,602	213,535	16	1	15	162,850	13,346	1	6.7%
	Clarinda	1,261,555	305,096	23	0	23	54,850	13,265	2	8.7%

*FMD = Fleet and Mail Division

**HRE= Human Resources Enterprise

***Civil Commitment Unit for Sex Offenders

Source: Department of Administrative Services

State of Iowa Vehicle Fleet
 Administered by the Fleet and Mail Division, Department of Administrative Services
 As of June 30, 2006

ATTACHMENT A

Department	Division	End Miles for all Vehicles	Total # Miles FY06	Vehicles Assigned by FMD*	Turned in for auction or reassign-ment	Net assigned vehicles	Average ending odometer per vehicle	Average Miles per vehicle for FY06	Vehicles with less than 5,000 miles	Percentage of under-utilized vehicles
	Mitchellville	1,399,855	264,201	18	3	15	77,770	14,678	0	0.0%
	Prison Industries	5,081,982	598,502	34	3	31	149,470	17,603	0	0.0%
	Farm Account	483,522	45,857	6	0	6	80,587	7,643	0	0.0%
	Fort Dodge	1,491,306	309,532	20	4	16	78,490	16,291	0	0.0%
Cultural Affairs		52,876	2,951	1	0	1	52,876	2,951	0	0.0%
Economic Development		609,259	210,785	13	0	13	50,772	17,565	0	0.0%
Finance Authority		200,538	112,107	5	0	5	40,108	22,421	0	0.0%
Education	Education	717,399	178,423	11	0	11	65,218	16,220	0	0.0%
	Voc Rehab	882,646	251,920	19	1	18	46,455	13,259	0	0.0%
	College Aid	227,462	75,821	3	0	3	28,333	9,444	0	0.0%
	Iowa Public TV	1,016,208	211,603	20	1	19	50,810	10,580	1	5.3%
Workforce Development		1,770,539	520,551	30	1	29	59,018	17,352	1	3.4%
Iowa Communi-cations Network		1,069,774	269,846	15	1	14	71,318	17,990	3	21.4%
Governor		217,573	67,942	2	0	2	108,786	33,971	0	0.0%
Human Rights		86,513	29,500	2	0	2	43,256	14,750	0	0.0%
Human Services	Administration	337,614	83,355	9	3	6	48,231	11,908	1	16.7%

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	Community Service	8,613,712	2,607,746	156	18	138	55,572	16,824	3	2.2%
Human Services	Juvenile Home Toledo	893,705	51,642	12	0	12	74,475	4,303	4	33.3%
	Training School Eldora	1,501,850	99,706	23	4	19	71,517	4,748	4	21.1%
	CCUSO***	212,736	56,703	3	0	3	70,912	118,901	1	33.3%
	Cherokee	1,242,960	153,624	21	2	19	59,188	7,315	4	21.1%
	Clarinda	379,951	183,028	7	1	6	54,279	26,147	1	16.7%
	Independence	1,133,634	98,218	19	0	19	62,980	5,456	5	26.3%
	Mt. Pleasant	416,165	80,504	7	0	7	59,452	11,500	1	14.3%
	Glenwood	4,804,739	589,098	67	5	62	71,712	8,792	2	3.2%
	Woodward	5,383,064	589,748	76	3	73	72,744	8,306	11	15.1%
	Assistance Payment	16,050	10,042	1	0	1	16,050	10,042	0	0.0%
Inspections		4,374,225	1,414,521	96	5	91	45,565	14,735	3	3.3%
Public Defender		31,227	13,502	1	0	1	31,227	13,502	0	0.0%
Racing		101,321	34,801	2	0	2	50,660	17,400	0	0.0%
Judicial		254,249	28,881	4	1	3	63,562	7,220	1	33.3%
Law Enforcement Academy		2,324,664	114,118	22	6	16	105,666	5,190	2	12.5%
Natural Resources		41,587,264	11,761,037	770	140	630	54,079	15,293	6	0.9%
Parole Board		75,524	5,413	2	1	1	75,524	5,413	0	0.0%

*FMD = Fleet and Mail Division

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***Civil Commitment Unit for Sex Offenders

Source: Department of Administrative Services

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As of June 30, 2006

ATTACHMENT A

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Public Defense		4,254,798	406,879	56	1	55	75,978	7,266	3	5.4%
Emergency Management		85,011	14,173	1	0	1	85,011	14,173	0	0.0%
Public Health		3,326,426	1,100,920	71	6	65	46,851	15,506	1	1.5%
Public Safety		61,388,754	18,805,052	819	201	618	74,956	22,961	3	0.4%
Revenue		1,067,679	254,216	21	2	19	50,842	12,105	1	5.3%
Lottery		3,114,970	1,374,501	59	2	57	52,796	23,297	2	3.5%
Veterans Affairs		1,321,495	329,244	23	1	22	57,456	14,315	0	0.0%
Total		207,049,899	53,528,632	3,223	488	2,735	3,931,149	923,725	94	

*FMD = Fleet and Mail Division

**HRE= Human Resources Enterprise

***Civil Commitment Unit for Sex Offenders

Source: Department of Administrative Services

**Department of Administrative Services
Fleet and Mail Division
Fleet Operations Costs**

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Fuel Costs	\$1,961,714	\$1,987,337	\$2,120,078	\$3,693,890
Maintenance Costs	4,031,326	3,925,479	4,666,470	6,528,194
Accident Costs	407,154	392,647	423,124	481,892
Total Maintenance	<u>\$6,400,194</u>	<u>\$6,305,463</u>	<u>\$7,209,672</u>	<u>\$10,703,976</u>
Depreciation	\$5,857,435	\$5,804,235	\$5,936,205	\$6,152,780
Insurance	767,398	761,282	722,773	555,235
Overhead	1,056,619	1,107,366	476,581	612,952
Total Non-Maintenance	<u>\$7,681,452</u>	<u>\$7,672,883</u>	<u>\$7,135,559</u>	<u>\$7,320,967</u>
Total All Costs	<u><u>\$14,081,646</u></u>	<u><u>\$13,978,346</u></u>	<u><u>\$14,345,231</u></u>	<u><u>\$18,024,943</u></u>
Average No. of Vehicles	2,621	2,622	2,656	2,736
Total Miles Driven	54,137,063	66,739,174	62,416,458	53,528,632

STATE FLEET BY COUNTY LOCATION

Attachment C

County #	County	# Assigned Vehicles
1	Adair	3
2	Adams	2
3	Allamakee	16
4	Appanoose	18
5	Audubon	3
6	Benton	10
7	Black Hawk	47
8	Boone	106
9	Bremer	15
10	Buchanan	31
11	Buena Vista	17
12	Butler	8
13	Calhoun	23
14	Carroll	10
15	Cass	24
16	Cedar	12
17	Cerro Gordo	52
18	Cherokee	25
19	Chicasaw	6
20	Clarke	11
21	Clay	29
22	Clayton	21
23	Clinton	8
24	Crawford	8
25	Dallas	30
26	Davis	8
27	Decatur	3
28	Delaware	32
29	Des Moines	19
30	Dickinson	29
31	Dubuque	40
32	Emmet	10
33	Fayette	17
34	Floyd	5
35	Franklin	8
36	Freemont	6
37	Greene	2
38	Grundy	5
39	Guthrie	11
40	Hamilton	9
41	Hancock	5
42	Hardin	27

STATE FLEET BY COUNTY LOCATION

Attachment C

County #	County	# Assigned Vehicles
43	Harrison	13
44	Henry	48
45	Howard	1
46	Humboldt	4
47	Ida	6
48	Iowa	10
49	Jackson	18
50	Jasper	45
51	Jefferson	6
52	Johnson	59
53	Jones	39
54	Keokuk	5
55	Kossuth	6
56	Lee	40
57	Linn	72
58	Louisa	8
59	Lucas	28
60	Lyon	2
61	Madison	6
62	Mahaska	7
63	Marion	17
64	Marshall	30
65	Mills	69
66	Mitchell	6
67	Monona	14
68	Monroe	3
69	Montgomery	7
70	Muscatine	15
71	O'Brien	7
72	Osceola	1
73	Page	30
74	Palo Alto	6
75	Plymouth	11
76	Pocahontas	3
77	Polk	893
78	Pottawattamie	65
79	Poweshiek	11
80	Ringgold	8
81	Sac	16
82	Scott	41
83	Shelby	10
84	Sioux	7

STATE FLEET BY COUNTY LOCATION

Attachment C

County #	County	# Assigned Vehicles
85	Story	38
86	Tama	16
87	Taylor	6
88	Union	12
89	Van Buren	12
90	Wapello	23
91	Warren	31
92	Washington	29
93	Wayne	4
94	Webster	35
95	Winnebago	4
96	Winneshiek	13
97	Woodbury	40
98	Worth	5
99	Wright	3
		<u>2,735</u>